

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-25 ADP-00 AID-20 CEA-02 CIAE-00 COME-00

EB-11 EA-11 FRB-02 INR-10 IO-13 NEA-10 NSAE-00 RSC-01

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 STR-08 SS-15

NSC-10 RSR-01 /162 W

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R 251700 Z JUN 73

FM AMEMBASSY DUBLIN

TO SECSTATE WASHDC 4782

INFO USMISSION OECD PARIS

LIMITED OFFICIAL USE SECTION 1 OF 2 DUBLIN 0829

E. O. 11652: N/ A

TAGS: EFIN, OECD, EI

SUBJ: OECD EXAMINATION OF FOREIGN INVESTMENT POLICIES
AND PRACTICES

REF: STATE 118847

1. FOLLOWING ARE EXAMPLES OF COMPANIES WHICH AVAILED
OF IRISH INVESTMENT INCENTIVES, AS REQUESTED REFTEL.
FULL DESCRIPTION OF INCENTIVES WAS PROVIDED IN DUBLIN' S 1088
OF SEPTEMBER 22, 1972 AND 1465 OF DEC 21, 1972.

2. A) BECKMAN INSTRUMENTS (IRELAND) INC., GALWAY,
COMMENCED PRODUCTION IN 1972, MAKING ELECTRO-
MEDICAL INSTRUMENTS.

B) TOTAL INVESTMENTS OF \$1,250,000, ALMOST ALL IN
CAPITAL EQUIPMENT. ABOUT 30 PERCENT WAS IN FORM
OF IRISH GOVERNMENT INVESTMENT GRANT, REMAINDER
FROM PARENT COMPANY IN FULLERTON, CALIFORNIA.

(C) INCENTIVES:

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(1) INVESTMENT GRANT OF \$430,000
(2) EXEMPTION FROM TAXATION ON EXPORT PROFITS UNTIL
1 987 AND PARTIAL RELIEF UNTIL 1990.
VALUE OF THIS RELIEF DEPENDS DIRECTLY ON PROFIT EARNED
BY BECKMAN AS ALMOST ALL PRODUCTS WILL BE EXPORTED. LOCAL
MANAGER WOULD NOT GIVE ESTIMATE OF PROFIT OF IRISH PLANT, BUT
SAID USG COULD PROBABLY OBTAIN FIGURE FROM PARENT COMPANY
IN CALIFORNIA.

D) LOCAL MANAGER SAID THAT COMPANY IN CALIFORNIA
HAD BEEN REQUIRED TO EXPAND TO KEEP UP WITH
DEMAND FOR ITS PRODUCTS. AS 35 PERCENT OF ITS
SALES WERE TO EUROPE, IT DECIDED TO LOCATE PLANT
IN EUROPE. BECKMAN DECIDED ON IRELAND BECAUSE
OF INVESTMENT GRANT, TAX RELIEF INCENTIVES AND
IRISH ENTRY INTO EEC.

E) IRISH MARKET FOR PRODUCT MINIMAL, SO COMPANY
WOULD EXPORT EVEN WITHOUT TAX RELIEFS.

3. A) TRUE TEMPER (IRELAND) LIMITED, CORK, US PARENT
TOOK OVER FORMER IRISH COMPANY IN ABOUT 1965;
MAKES GARDEN TOOLS.

B) TOTAL INVESTMENT OF \$1,500,000, OF WHICH 60
PERCENT FROM US PARENT COMPANY, 40 PERCENT FROM
GOI GRANT. INVESTMENT WENT INTO PURCHASE OF
IRISH COMPANY, CONSTRUCTION OF ADDITIONAL, LARGER
PLANT, AND CAPITAL EQUIPMENT.

C) INCENTIVES:

(1) INVESTMENT GRANT OF \$600,000.
(2) EXPORT TAX RELIEFS; NO VALUE UP TO NOW AS
COMPANY HAS CONSISTENTLY RECORDED LOSSES.
ANTICIPATES PROFIT OF \$50,000 - 65,000 THIS
YEAR, MOST OF WHICH WILL BE DERIVED FROM
EXPORT AND THEREFORE EXEMPT FROM IRISH TAXES.

D) MAJOR FACTORS IN TRUE TEMPER DECISION INVESTMENT IN
IRELAND WERE 1) DESIRE TO EXPAND ON INTERNATIONAL BASIS,
2) DESIRE TO PENETRATE BRITISH AND EUROPEAN MARKETS, 3)
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GOI INVESTMENT GRANT. OTHERS FACTORS INCLUDED
LANGUAGE AND FACT THAT US CHIEF EXECUTIVE WAS OF
IRISH DESCENT.

E) FIRM MOTIVATED TO EXPORT BY SMALL SIZE OF
IRISH MARKET; EXPORT TAX RELIEFS NATURALLY
ENCOURAGE EXPORTS, ALTHOUGH FIRM HAS BEEN SELLING

IN IRISH MARKET.

4. (A) ARMSTRONG CORK COMPANY LTD., BRITISH SUBSIDIARY
OF US COMPANY ACQUIRED EXISTING PLANT AND EQUIPMENT
IN PORTUMNA CO. GALWAY. COMMENCED PRODUCTION
VINYL FLOOR TILES AND SHEETING IN 1969.

(B) INITIAL INVESMENT \$250,000 BY BRITISH
SUBSIDIARY. ADDITIONAL INVESTMENT OF \$250-325,000
BEING NEGOTIATED WITH IDA.

(C) INCENTIVES:

1) ARMSTRONG ACQUIRED \$65,000 TRANSFERRABLE GRANT
WHEN IT ACQUIRED FACTORY.

2) SUBSIDIARY HAS NOT AVAILED OF EXPORT INCENTIVES
AS YET, AS IT HAS NOT MADE ANY PROFITS.

D) ARMSTRONG MADE INVESTMENT TO SUPPORT ITS
POSITION IN IRISH AND BRITISH MARKETS. IDA SET
CONDITION PLANT WOULD EXPORT 75 PERCENT BEFORE
AGREEING TO TRANSFER GRANT. NEITHER GRANT NOR
TAX RELIEF APPARENTLY PLAYED IMPORTANT ROLE IN
ARMSTRONG DECISION TO INVEST.

NOTE: ARMSTRONG GAVE ABOVE INFO ON CONDITION ITS
NAME NOT RPT NOT BE USED.

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ACTION TRSE-00

INFO OCT-01 EUR-25 ADP-00 AID-20 CEA-02 CIAE-00 COME-00

EB-11 EA-11 FRB-02 INR-10 IO-13 NEA-10 NSAE-00 RSC-01

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5. A) TECHNICON (IRELAND) LIMITED, SWORDS CO. DUBLIN;
COMMENCED PRODUCTION IN 1966, MAKING INSTRUMENTS
FOR AUTOMATIC CHEMICAL ANALYSIS.

B) TOTAL INVESTMENT SAID TO BE \$1,000,000, IN
LAND, BUILDINGS AND CAPITAL EQUIPMENT (BELIEVE
FIGURE SHOULD BE HIGHER). COMPANY HAS EXPANDED
TWICE SINCE INTITIAL INVESTMENT. ABOVE TOTAL
INCLUDES \$674,000 IN IRISH GRANT AID.

C) INCENTIVES:

1) INVESTMENT GRANT OF \$674,000
2) FROM 1966 TO DATE PROFITS HAVE TOTALED ABOUT
\$30,000,000. AS ALL BUT ONE- HALF OF ONE PER
CENT OF MATERIALS EXPORTED, NEARLY ALL THIS PROFIT
HAS BEEN TAX EXEMPT. TAX RELIEF THUS WORTH ABOUT
\$15,000,000. (COMPANY TAX RATE ABOUT 50 PERCENT).

D) TECHNICON HAD PLANT IN UK WHICH IT NEEDED TO
EXPAND OR SUPPLEMENT ESLEWHERE TO COMPLY WITH
DEMAND FOR ITS PRODUCT, WHICH IS UNIQUE. TAX
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INCENTIVES AND GOVERNMENT GRANTS WERE MAJOR INDUCE-
MENTS LEADING TO DECISION INVEST IN IRELAND.

E) FIRM WOULD PROBABLY NOT HAVE LOCATED IN IRELAND
IF TAX RELIEFS WERE NOT AVAILABLE.

NOTE: SOURCE REQUESTED PARTICULARLY THAT TECHNICON
NAME NOT RPT NOT BE USED.

6. RE PARA 2 F REFTTEL, ACCORDING INDUSTRIAL DEVELOPMENT
AUTHORITY PUBLICATION, INVESTMENT IN NEW INDUSTRAIL
PROJECTS IN IRELAND FROM 1960 TO END MARCH 1972 TOTALED
221 MILLION POUNDS STERLING OF WHICH 41 M CAME FROM UK,
69 M FROM US, 14 M FROM GERMANY, 12 M FROM NETHERLANDS,
33 M FROM OTHER EXTERNAL SOURCES, AND 52 MILLION FROM
DOMESTIC IRISH SOURCES. IRISH STATE GRANTS TO INDSTURY
TOTALED 149 MILLION POUNDS, INCLUDING 106 M NEW INDUSTRY
GRANTS, 5 M SMALL INDUSTRY GRANTS, 21 M READAPTATION GRANTS
AND 16 M RE- EQUIPMENT GRANTS. IDA OFFICIAL TOLD EMBOFF THAT
REVENUE FOREGONE AS A RESULT OF EXPORT TAX RELIEFS TOTALED
ABOUT 21 MILLION POUNDS STERLING IN YEAR ENDED
JANUARY 31, 1973.

7. RE PARA 3 REFTTEL. THERE ARE NO IRISH RESTRICTIONS ON

FOREIGN INDUSTRIAL INVESTMENT. HOWEVER, ALL AGREEMENTS ON INVESTMENT, WHETHER US, OTHER FOREIGN, OR IRISH, WHICH INVOLVE IRISH GOVERNMENT GRANTS ARE NEGOTIATED ARRANGEMENTS BETWEEN INVESTING FIRMS AND GOI INDUSTRIAL DEVELOPMENT AUTHORITY. PLANTS WHICH AGREE TO LOCATE IN UNDERDEVELOPED REGIONS OR AREAS OF HIGH UNEMPLOYMENT RECEIVE LARGER INDUCEMENTS THAN THOSE WHICH LOCATE IN DUBLIN FOR EXAMPLE. OTHER CRITERIA GOVERNING AMOUNT OF GRANTS LISTED IN PARA 1. A) 3) OF DUBLIN 1088 AND INCLUDE / PORT POTENTIAL)." IDA STATES PUBLICLY THAT AMOUNTS OF GRANTS ARE NEGOTIABLE, SO NOT CLEAR THAT THIS CONSTITUTES " ARM TWISTING". TRUE TEMPER IMPLIED IT HAD BEEN ASKED TO CONCENTRATE ON EXPORTS SO AS NOT TO FLOOD SMALL IRISH MARKET. OTHER AMERICAN SUBSIDIARIES HAVE ALSO TOLD US THEY PRODUCE FOR EXPORT ONLY TO AVOID SWAMPING IRISH MARKET, BUT NOT CLEAR WHETHER GOI USED PRESSURE ON LIMITED OFFICIAL USE
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THEM, EXCEPT POSSIBLY IN CASE ARMSTRONG CORK. WE WILL FORWARD EXAMPLES OF SUCH COVERT TACTICS IF WE FIND THEM.

8. ALL OF FIRMS CONTACTED ASKED THAT NAMES OF THEIR COMPANY NOT RPT NOT BE USED; BOTH TECHNICON AND ARMSTRONG CORK WERE INSISTENT. MOORE

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